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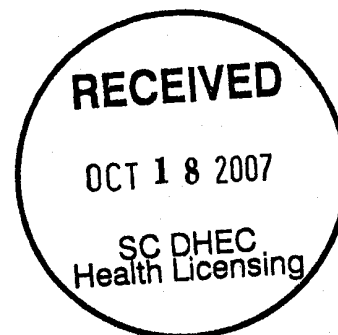
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October 17, 2007

Via Federal Express

Mrs. Nancy Maertens
Office Manager
Medical Management Oversight Program
Division of Health Licensing
South Carolina Department of Health
and Environmental Control
1777 St. Julian Place, Suite 401
Columbia, SC 29204



Re: Change in Controlling Interest in Health Care and Retirement Corporation of America
(the "Company") d/b/a Heartland Health Center - Charleston (Current License Number
#: NCF-526) (the "Facility")

Dear Mrs. Maertens:

As we previously advised the Department, the Board of Directors of Manor Care, Inc., a public company ("Manor Care"), recently approved a transaction with affiliates of The Carlyle Group ("Carlyle"), a global private equity firm, to take Manor Care private through an acquisition of all of the stock of Manor Care. Pursuant to an Agreement and Plan of Merger, dated as of July 2, 2007 (the "Merger Agreement"), an entity owned by Carlyle and its co-investors through various limited partnerships (MCHCR-CP Holdings, Inc. to be renamed HCR ManorCare, Inc. immediately post-closing) will replace the current public shareholders of Manor Care as the sole shareholder in Manor Care (the "Transaction"). Subject to the terms of the Merger Agreement, the Transaction will occur on or about November 7, 2007. A copy of the executed Merger Agreement is attached herein as Exhibit A for your review. The Transaction will close once the parties obtain the necessary regulatory approvals and certain other conditions to closing are met as set forth in the Merger Agreement.

Contemporaneously with the Transaction, Manor Care plans to undergo an internal reorganization (the "Internal Reorganization") of Manor Care's corporate ownership structure as described herein. The Company, which is the Manor Care subsidiary that operates the Facility, will contribute the operations and intangible personal property to Heartland -

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Charleston of Hanahan SC, LLC, a newly formed Delaware limited liability company ("Heartland Charleston") under the terms of a Contribution Agreement. A copy of the form Contribution Agreement is enclosed for your review under Exhibit B.

In addition, the Company, will contribute its other personal property and real estate to 4015 HCR Properties - Charleston of Hanahan SC, LLC, (the "Charleston of Hanahan PropCo"). Charleston of Hanahan PropCo is one of the newly-formed special purpose property holding Delaware limited liability companies formed as part of the Internal Reorganization (the "PropCos.") The Charleston of Hanahan PropCo will lease all of the property held by the Charleston of Hanahan PropCo to Heartland Charleston's direct parent HCR III Healthcare, LLC (the "Direct Parent.") The Direct Parent will enter into a sublease with Heartland Charleston to lease the specific property that was previously owned by the Company for One (1) Dollar. (Such transactions are sometimes known as a "transfer/leaseback transaction.") Heartland Charleston, its Direct Parent and the Charleston of Hanahan PropCo will all continue to be wholly-owned by and operated under Manor Care, as at present. Charts illustrating the corporate structure before and after the Transaction and Internal Reorganization are attached as Exhibits C-1 and C-2 for your review.

Please permit this letter to serve as notice to the Department of Health and Environment Control (the "Department"), Division of Health Licensing of the proposed change in controlling interest in the Facility. We understand that the Department's Division of Health Licensing requires the Facility to submit a new license application based on the proposed change in controlling interest. We are, therefore, enclosing the documents set forth below to expedite the processing of the new license application for the Facility. We will also provide additional documentation as it becomes available following the closing.

A. CON Exemption. The Department's Certificate of Need ("CON") Division issued a CON exemption for the change in controlling interest in the Facility on October 12, 2007. A copy of the letter granting the CON exemption is attached as Exhibit D.

B. License Application and Supporting Materials. We are enclosing the following documents in connection with the new license application for the Facility:

1. License Application. A completed license application for the Facility based on the change in controlling interest (Exhibit E)
2. License Fees. A check for the licensing fees in the amount of One Thousand Fifty Dollars (\$1,050.00) (105 licensed beds x \$10.00 per bed) (Current License # NCF-526) (Exhibit F);
3. Corporate Documents.

(a) A certified copy of the Certificate of Formation for Heartland -

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Charleston of Hanahan SC, LLC, a Delaware limited liability company and a Certificate of Authorization issued from the South Carolina Secretary of State permitting the Company to transact business in South Carolina (Exhibit G);

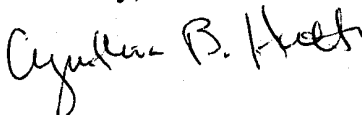
(b) A certified copy of the Certificate of Formation for 4015 HCR Properties - Charleston of Hanahan SC, LLC, a Delaware limited liability (Exhibit H). An application to obtain a Certificate of permitting the Landlord to transact business in South Carolina has been submitted to the South Carolina Secretary of State and will be provided to the Department upon its receipt.

4. Emergency Evacuation Plan. A copy of the Facility's Emergency Evacuation Plan will be submitted separately (Exhibit I).
5. Facility Administrator's License Verification. Verification that the Facility Administrator holds a valid South Carolina Nursing Home Administrator's License is provided as Exhibit J.

C. Closing Certificate. A copy of the executed Closing Certificate to confirm the closing of the transaction will be forwarded to you promptly following closing.

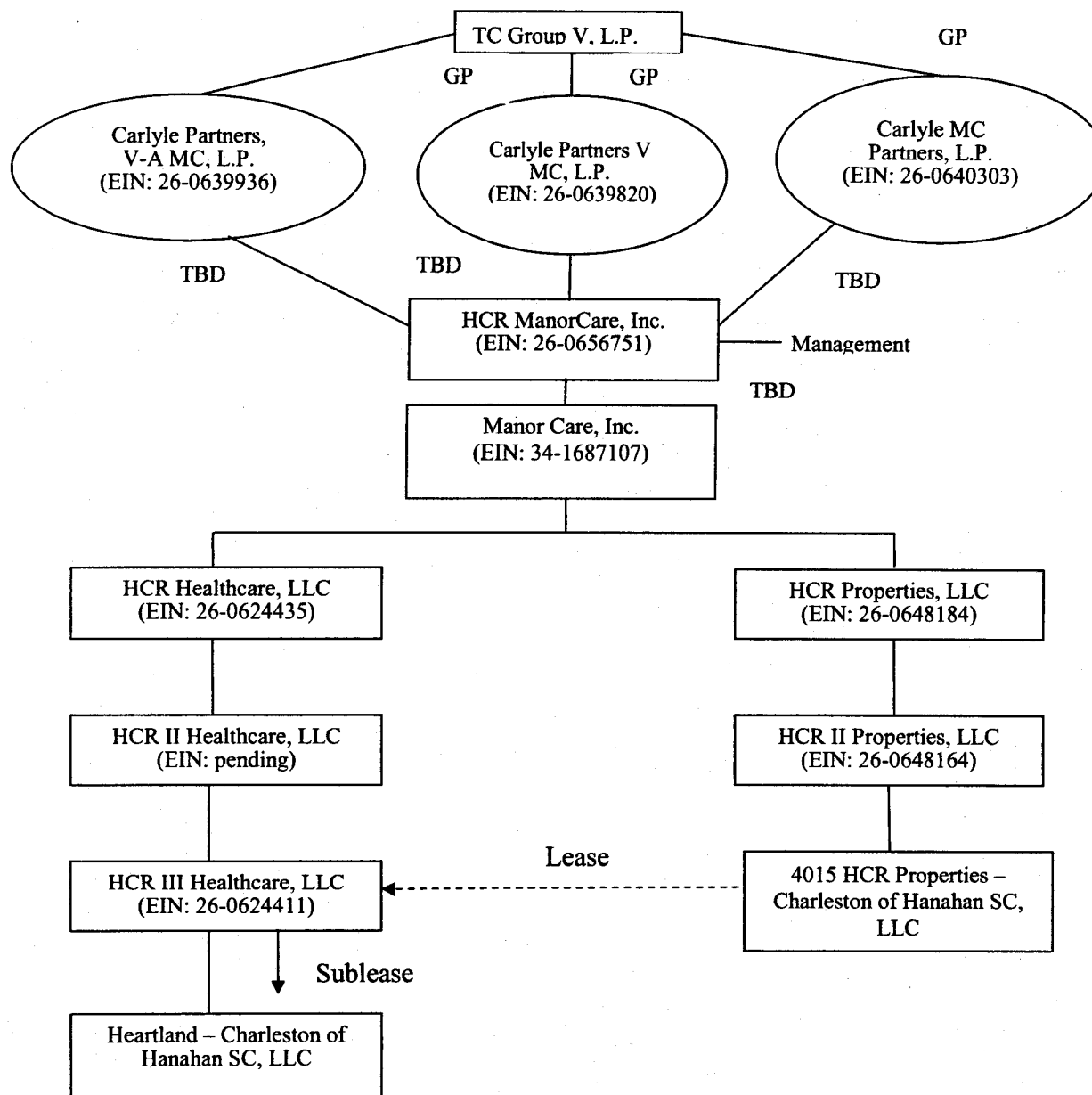
Thank you for your assistance with this matter. Please feel free to contact me if you have any questions or require any additional information to process the Facility's license application.

Sincerely,



Cynthia B. Hutto

Heartland – Charleston of Hanahan SC, LLC
d/b/a Heartland Health Care Center - Charleston
Ownership Structure



Business address for the Carlyle Partners entities is 1001 Pennsylvania Avenue, NW; Washington, DC 20004-2505. Phone number is 202-729-5626.

Business address for all of the remaining entities listed below is 333 North Summit Street; Toledo, OH 43604. Phone number for all of the remaining entities listed below is 419-252-5500.

Except as indicated, each entity is owned 100% by the entity listed above it. It is not expected that any entity or individual will have a 5% or greater ownership in any of the Carlyle Partners limited partnerships, which are part of a private equity fund with numerous passive investors. Each of these limited partnerships is controlled by its General Partner, TC Group V, L.P.